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FISCAL IMPACT STATEMENT

LS 6657

BILL NUMBER: SB 275

NOTE PREPARED: Feb 6, 2013

BILL AMENDED: Feb 4, 2013

SUBJECT: Property Tax Installment Payments.

FIRST AUTHOR: Sen. Miller Patricia

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill allows any person who does not pay property taxes through an escrow account maintained by the person's mortgagee to pay the person's property taxes using a monthly payment plan (under current law it is a county option to allow monthly payments). It requires the Department of Local Government Finance (DLGF) to prescribe a standard form that can be used by a taxpayer and requires each county treasurer and the DLGF to make a printable version of the form available on the Internet. It requires DLGF to adopt rules to establish a uniform system.

Effective Date: (Amended) December 1, 2013.

Explanation of State Expenditures: (Revised) The DLGF is to prescribe a form that an eligible taxpayer would use to enroll in the monthly payment plan. The agency also is to make a printable version of the form available on its website and to adopt rules to establish a uniform statewide monthly payment system. The department should be able to complete these tasks within existing resources.

Current statute stipulates that the form must enable the taxpayer to direct the county treasurer to accept payment of a taxpayer's property taxes by automatic monthly deduction during the payment period and to authorize the financial institution that holds the taxpayer's account to deduct the monthly payment and transfer it to the treasurer.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Summary:* The bill's requirements may represent an additional workload or expenditure on some counties outside of their routine administrative functions, and existing

staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional cost includes the cost of setting up the monthly payment system, the mailing of at least one of the reconciliation statements and the potential increase in resources devoted to educating taxpayers about the system, and overseeing its day-to-day operation. Ultimately, the source of funds and resources required to satisfy the requirements of this bill would depend on legislative and administrative actions.

Estimates for implementing a monthly payment plan vary. For example, Wayne County implemented its own system in order to save costs. Allen County, on the other hand, paid about \$24,000 for its system. One county treasurer, whose county currently does not have a monthly plan, indicated that charge would be \$10,500 for the first year, \$11,900 for the second year, and a reduced amount in subsequent years. In the first year, the financial institution would bill at a rate of \$0.15 per parcel based on approximately 70,000 tax bills; in the second year, the rate would be \$0.17 per parcel; in the third year, the bill would be based on those taking part in the program.

One bank that offers this service stated that it offers a five-year contract with following cost ranges.

Year	Per Parcel Cost
1	\$0.10 - \$0.20 per each parcel in the county
2	\$0.12 - \$0.20 per each parcel in the county
3, 4, 5	\$0.15 - \$0.20 per each parcel using the service.

Two of the counties that currently have a monthly system indicated that sometimes they have to dedicate an individual to educating taxpayers and to performing other operational support duties (e.g., dealing with "Not Sufficient Funds" issues).

The cost of mailing the reconciling statements would depend on the number of taxpayers that choose the monthly payment plan. This cost would probably be reduced if it can be assumed that counties would mail the May reconciling statement with the tax bill, leaving only the November statement to be mailed separately. Currently, Marion County reports there are about 142 taxpayers on its monthly plan; Allen County has a little over 800 taxpayers; and Wayne County has 57. This number is likely to increase as this option becomes more popular (e.g., Marion County's initiative has been operational less than a year).

(Revised) *Additional Information*

Under current law, a county, at its discretion, can adopt an ordinance which permits a taxpayer to pay property taxes (including provisional tax payments and tax payments due under a reconciling statement) by automatic monthly deductions from an account of the taxpayer held by a financial institution, or some other monthly installment plan.

Under this bill, for property taxes first due and payable in 2014 and after, the option of having a monthly installment plan would be rescinded, and instead each county would be required to have a monthly installment plan in place. The taxpayer may elect to use the monthly option, but would not be required to do so.

Under the bill, all taxpayers who do not pay their property taxes via an escrow account would be eligible to participate in the monthly payment plan. If the taxpayer is already in a monthly plan, the county would automatically enroll the taxpayer in the new monthly plan without any further action on the taxpayer's part.

A taxpayer who is not currently enrolled in a monthly plan and who wishes to participate in a plan under this bill would have to submit an enrollment form (prescribed by the DLGF) to the county treasurer. Counties (and the DLGF) would be required to have a printable version of the form available on their respective Internet websites.

The bill differs from current law in when counties are required to transmit reconciling statements to those taxpayers who are in a monthly payment plan. Under the current statute, a reconciling statement is issued after the last monthly payment for the current year has been made (usually in November). It compares the total monthly payments to the current year's property taxes. If the monthly payments exceed the amount due, the taxpayer would either receive a refund or have it applied to the following year's taxes; the taxpayer would pay the difference within 30 days if the total monthly payments were not enough. Counties that currently have a monthly payment plan employ some variation of this general concept.

Taxpayers not on a monthly plan have to pay their property taxes in two payments, in May and November. Under the bill, reconciling statements would be issued twice a year. The first statement would be mailed not later than 30 days before the date on which taxpayer's May payment is due; the second not later than 30 days before the date on which the November's payment is due. Under the bill (and current law), the taxpayer would make monthly payments before the taxes are actually due. The May reconciling statement would indicate the taxpayer's monthly payments and property taxes due up to that point. The taxpayer would use the May monthly payment to make up any shortfall. If the amount paid exceeds the amount due, the excess would be applied to taxes that would normally be due in November.

The November statement would indicate the monthly payments and property taxes due through November. If the total monthly payments exceed the property taxes due, the excess would be applied to the following year's taxes or refunded to the taxpayer. On the other hand, if the property taxes exceed the total monthly payments, the taxpayer would be required to pay the remainder in the November monthly payment or become delinquent.

(Revised) *Background Information - Counties with a Monthly Payment Plan*

Currently, five counties have a monthly payment plan in place (Allen, Howard, Marion, Wayne, and Whitley). Wayne County created its own system in order to save costs. Taxpayers make ten monthly payments. In May and November reconciliation takes place. The county has set up templates on the local banks' websites and manually do the transaction to have the taxpayers' money transferred to the county's account. Once the money is transferred, the tax billing system is updated. In April of each year (once the new tax rates have been issued) the county informs the taxpayers what the new monthly payments would be. Taxpayers have until the following spring to pay any delinquent amounts. The county does not currently mail reconciling statements.

Allen County uses an automated system that cost about \$24,000 to develop. Taxpayers make 12 monthly payments. Ideally, the taxpayer would sign on in November of the previous year and make the first payment in December towards the tax bill due in May of the current year. The monthly payments are adjusted depending on when the taxpayer signed up. The June to November payments would comprise six equal installments. As in Wayne County, payment amounts are adjusted after new tax rates are issued in the spring. The treasurer's

office reports that staff has to be allocated to provide assistance to taxpayers as needed. The county does not currently mail out reconciling statements as the taxpayer can log into the Public Access Tax Information website to obtain the required information.

Marion County implemented a monthly payment plan in 2012. The system is designed to deduct equal monthly payments from the checking or savings account on any day each month the taxpayer selects. The taxpayer has to select every tax cycle when the taxpayer wishes to have the payment deduction from the taxpayer's account. If the taxpayer makes six payments per cycle, there is a convenience fee of \$0.25 per transaction; if the number of payments is less than six, the fee will be \$0.95 cents. An email notification is sent each month prior to the deduction from the taxpayer's account. The county creates a provisional statement in December (to estimate the next year's taxes). Tax bills are mailed in April, and only if something changes will a fall bill be sent. Reminders are sent via email 30 days in advance, as well as 10 days and 3 days in advance. This is the primary (but not sole) duty of one staff member.

Explanation of Local Revenues: (Revised) The impact would depend on taxpayer participation in the monthly payment plan. Counties in which a relatively large number of taxpayers elect to make monthly payments would receive more of their revenue monthly rather than twice a year. In general, this would smooth out the treasurer's cash flow and possibly increase interest earnings, some of which may be applied to offset the expense of implementing the system.

State Agencies Affected: DLGF.

Local Agencies Affected: County treasurers.

Information Sources: Sue Ann Mitchell, Kosciusko County Treasurer, 574-372-2372; Ms. Susan Orth, Allen County Treasurer, 260-449-3102; Ms. Cindy Land, Marion County Treasurer's Office, 317-327-4038; Ms. Cathy Williams, Wayne County Treasurer, 765-973-9238; Mr Richard E. Beck, Jr., Sr VP, Commercial Sales Manager, STAR Bank Insurance Private Advisory, 260-467-5545.

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